

Department of Legislative Services
2011 Session

FISCAL AND POLICY NOTE

Revised

Senate Bill 708

(Senator Klausmeier, *et al.*)

Judicial Proceedings

Environmental Matters

**Mopeds and Motor Scooters - Titling, Registration, Insurance, and Required Use
of Protective Headgear**

This bill incorporates a moped and motor scooter within the definition of a vehicle and a motor vehicle, and as such, requires a moped and motor scooter to be titled and registered and the driver of a moped and motor scooter to possess a specified class of driver's license and required security generally in the form of a vehicle liability insurance policy. In addition, the bill requires an individual who rides or operates a motor scooter or moped to wear protective headgear, and an eye-protection device if the vehicle does not have a windscreen. Finally, the bill authorizes an insurer to either exclude certain economic loss benefits from personal injury protection coverage of policies written for mopeds or motor scooters, or offer the economic loss benefits with deductibles, options, or specific exclusions, as is authorized under current law and applied to motorcycles.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) and other special fund revenues increase beginning in FY 2012 due to the collection of title and registration fees, title lien fees, and excise taxes, and under the assumptions discussed below. This estimate includes the local share of highway user revenues. General fund revenues increase to a lesser extent beginning in FY 2012 due to the distribution of various vehicle-related revenues and application of existing penalties, which are partially offset by lost sales and use tax revenue associated with newly purchased mopeds and motor scooters. TTF expenditures increase beginning in FY 2012, for the Motor Vehicle Administration (MVA) to hire two additional full-time customer agents and four temporary contractual customer agents to handle additional transactions, and for contractual reprogramming costs. Potential significant general and federal fund expenditure savings beginning in FY 2012 for the Department of Health and Mental Hygiene (DHMH) to the extent the bill reduces debilitating injuries from motor scooter and moped accidents.

Local Effect: Local revenues increase minimally due to the distribution of additional highway user revenues.

Small Business Effect: Potential minimal effect on small business moped, motor scooter dealers, and helmet retailers.

Analysis

Bill Summary: mopeds and motor scooters are designated as Class S vehicles subject to an annual registration fee of \$35, plus required surcharges; the application for registration of a moped or motor scooter must be transmitted electronically. If the application is transmitted electronically by a licensed dealer, it must be submitted within 30 days of delivery of the motor scooter.

The bill exempts mopeds and motor scooters from (1) the requirement to have specified equipment; (2) the prohibition against offering for sale, or driving, a vehicle that is not equipped with specified equipment in proper condition; (3) inspection by the Department of State Police’s Automotive Safety Enforcement Division for compliance with equipment standards; and (4) inspection under the Motor Vehicle Emissions Inspection program (VEIP).

Current Law: A “motor scooter” is a nonpedal vehicle that meets certain technical specifications including a motor that is under a specified horsepower or displacement capacity. A motor scooter may not be operated at more than 30 miles per hour or on a roadway with a maximum speed limit of more than 50 miles per hour. A “moped” is bicycle with pedals and either two or three wheels (one of which is at least 14 inches in diameter), and which is assisted by a motor of at most 1.5 horsepower, or 50 cubic centimeters capacity if the motor is an internal combustion engine.

Motor scooters and mopeds are not defined as a “motor vehicle” under the Transportation Article. A “vehicle” is defined as a device in, on, or by which an individual or property is or might be transported or towed on a highway. Such vehicles, with some exceptions, must be titled and registered. A person may not operate a moped or motor scooter if the person does not possess a driver’s license or moped operator’s permit. Motor scooters and mopeds are also not subject to the same requirements as other vehicles for equipment standards, inspections, including VEIP, and the required security provisions. In addition, mopeds and motor scooters are subject to separate rules of the road, which are generally similar to those applicable to bicycles.

Maryland law has established no helmet requirement for motor scooters or mopeds. However, the Administrator of MVA is authorized to approve or disapprove of the

protective headgear required for *motorcycle* operators and may adopt and enforce regulations that establish protective headgear standards.

“Protective helmet or headgear” means a device primarily intended to protect the upper part of the wearer’s head against a blow or impact. *The Federal Motor Vehicle Safety Standard 218, Motorcycle Helmets, 49 CFR § 571.218 (1991)*, which is incorporated by reference in the Code of Maryland Regulations, is adopted as the minimum standard for helmets required to be worn by operators and passengers on motorcycles. The protective headgear must be worn on the head with the chin strap properly fastened and in contact with the chin or jaw by both operator and passenger at all times that the motorcycle is in motion.

A violation of the protective headgear or eye-protective device/windscreen requirement is a misdemeanor, subject to a maximum fine of \$500. The prepayment penalty assessed by the District Court is \$110.

The failure of an individual to wear protective headgear required may not be considered evidence of negligence or contributory negligence; limit liability of a party or an insurer; or diminish recovery for damages arising out of the ownership, maintenance, or operation of a motorcycle.

A motor vehicle insurer may exclude from personal injury protection coverage benefits for an individual who:

- intentionally causes the motor vehicle accident resulting in the injury for which benefits are claimed;
- is a nonresident of the State and is injured as a pedestrian in a motor vehicle accident that occurs outside of the State;
- is injured in a motor vehicle accident while operating or voluntarily riding in a motor vehicle that the individual knows is stolen; or
- is injured in a motor vehicle accident while committing a felony or while fleeing or eluding police in violation of the Maryland Vehicle Law.

In addition, an insurer may exclude from benefits the named insured or a family member residing in the insured’s household for an injury that occurs while the insured or family member is occupying an uninsured motor vehicle owned by the insured or an immediate family member residing in the same household.

In the case of motorcycles, an insurer may either exclude economic loss benefits or offer the economic loss benefits with deductibles, options, or specific exclusions.

Background: Recent spikes in gas prices have contributed to the popularity of mopeds and motor scooters. Also, many people regard these vehicles as more efficient than automobiles for short trips. They can achieve about 70 miles per gallon of gas or more and are also considered more environmentally friendly than most automobiles. However, traffic safety advocates have expressed concerns about the increasing number of mopeds and motor scooters on high-speed thoroughfares since they cannot achieve the speeds of automobiles, making integration with automobile traffic difficult.

The laws concerning helmet use for mopeds and motor scooters vary widely because states define mopeds and motor scooters differently. Many states include motor scooters in the definition of “motor driven cycle” along with motorcycles. According to the Insurance Institute for Highway Safety, 22 states have motorcycle laws that cover all “low-power cycles” – motor-driven cycles, mopeds, scooters, and various other two-wheeled cycles typically excluded from the definition of motorcycle. Twenty-five states and the District of Columbia have laws that cover some low-power cycles. Twenty states (including Maryland) and the District of Columbia require all motorcyclists to wear a helmet, while 27 states require only riders younger than a specified age to wear helmets. The threshold age ranges from 14 to 20. Three states (Illinois, Iowa, and New Hampshire) do not require motorcycle riders to wear protective headgear.

State Fiscal Effect: The bill requires the titling and registration of mopeds and motor scooters, as well as the licensing of moped and motor scooter operators, and requires moped and motor scooter owners to maintain required security. MVA advises that an indeterminate percentage of current moped and motor scooter operators are not eligible for a driver’s license. Legislative Services advises that, without such data, a reliable estimate cannot be made as to how many mopeds or motor scooters will be titled and registered.

Nevertheless, TTF revenues will increase beginning in fiscal 2012 due to the collection of title and registration fees, title lien fees, and excise taxes. Likewise, special fund revenues for the Maryland Trauma Physician Services Fund and the Maryland Emergency Medical System Operations Fund increase due to registration surcharges. General fund revenues will generally decrease due to lost sales and use tax revenue associated with newly purchased mopeds and motor scooters as State law prohibits the collection of a sales and use tax when an excise tax is being collected for TTF. In fiscal 2012 only, general fund revenues likely increase as a result of the distribution of vehicle-related fees and taxes from a large number of existing mopeds and motor scooters being titled and registered for the first time, and increase in future years due to the application of existing Maryland Vehicle Law penalties to the newly classified motor vehicles. *For illustrative purposes only*, TTF and other special fund revenues may increase and general fund revenues may decrease as shown in **Exhibit 1** under the assumptions provided below.

Exhibit 1
Revenue Sources and Collection Estimates

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<u>Sources of Revenue</u>					
Registration Fees*	\$615,950	\$98,940	\$644,119	\$102,937	\$648,196
Title Fees	317,500	51,000	52,020	53,060	54,122
Title Lien Fees	11,200	2,040	2,081	2,122	2,165
Excise Tax Revenue	1,333,500	216,342	220,669	227,333	231,880
Sales Tax Revenue	(157,500)	(216,342)	(220,669)	(227,333)	(231,880)
Premium Tax	76,200	12,240	12,485	12,734	12,989
<u>Distribution of Revenue</u>					
TTF Net Revenue**	1,718,305	267,862	550,851	277,659	563,493
GF Net Revenue	199,082	(151,020)	(75,736)	(156,235)	(83,703)
Other SF Net Revenue	171,450	27,540	179,291	28,653	180,426
Net State Revenue Collected	\$2,088,837	\$144,382	\$654,406	\$150,077	\$660,215
Local Share of TTF	108,014	19,838	56,299	20,777	57,257
Total Net Revenue	\$2,196,851	\$164,220	\$710,705	\$170,854	\$717,472

*Registration fees include required surcharges.

**Reflects State share only.

The revenue projection illustrated in Exhibit 1 is based on the following assumptions and MVA fees:

- according to the Motorcycle Industry Council, 498 motor scooters were purchased in 2010;
- in the absence of data, it is assumed that the current number of mopeds and sales of mopeds are the same as for motor scooters;
- 2% annual growth in motor scooter and moped purchases;
- a purchase price of \$3,000, with 1% annual inflation;
- sales tax revenues are shared with TTF under current law;
- the excise tax is only collected on newly purchased moped and motor scooters;
- in the first year, all newly purchased motor scooters and 80% of currently owned mopeds and motor scooters will be titled and registered;
- the remaining 20% of currently owned mopeds and motor scooters will not be titled or registered due to ineligibility to operate a moped or motor scooter;
- a negligible number of new driver's licenses will be issued under the bill;

- the average annual cost to insure a moped or motor scooter is assumed to be \$600;
- MVA title fees of \$50 and title lien fees of \$20;
- MVA estimates that 10% of mopeds and motor scooters are secured with a lien; and
- MVA administers a biennial vehicle registration cycle.

MVA Expenditures

Likewise, *for illustrative purposes only*, TTF expenditures may increase by \$204,369 in fiscal 2012, which accounts for the bill’s October 1, 2011 effective date, and the data and assumptions discussed above. This estimate reflects the need to hire two full-time customer agents and retain the services of four part-time contractual employees at MVA during fiscal 2012 only to process the additional transactions. MVA advises that, generally, one customer agent is required for each additional 10,000 transactions. The four part-time contractual employees are needed in fiscal 2012 only due to the large initial increase in title and registration transactions for existing mopeds and motor scooters.

The estimate includes salaries, fringe benefits, one-time start-up costs, contractual computer reprogramming services, and ongoing operating expenses, including the cost for procuring additional registration tags and stickers, renewal notices, and title paper as well as postage costs with MVA customers. The estimate also assumes that the number of mopeds currently in Maryland and the sales of new mopeds are the same as for motor scooters. To the extent that the actual numbers differ, the estimate may overstate or understate expenditures for personnel needed to implement the bill.

	<u>FY 2012</u>	<u>FY 2013</u>
New Contractual Positions (Full-time Equivalent (FTE))	2.0	(-2.0)
New Permanent Positions (FTE)	2.0	0
Salaries and Fringe Benefits	\$147,050	\$100,136
Contractual Services	49,644	3,766
Start-up Costs and Operating Expenses	<u>7,675</u>	<u>424</u>
Total State Expenditures	\$204,369	\$105,272

Future year expenditures reflect full salaries with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

In addition to the contractual services necessary to reprogram specific MVA systems, MVA advises that internal computer reprogramming is necessary to implement the requirements of this bill. If MVA is unable to accomplish the estimated 1,500 additional hours of computer reprogramming with existing staff and resources, it may be necessary

to contract with an outside computer services vendor at a cost that is potentially greater than \$100,000. Legislative Services advises that, if other legislation is passed requiring computer reprogramming changes, economies of scale may be realized should it be necessary to retain outside contractual services; this reduces the costs associated with this bill and the other legislation affecting MVA.

DHMH Expenditures

To the extent the bill reduces debilitating injuries resulting from motor scooter and moped accidents, potentially significant savings could be generated for DHMH. Individuals with traumatic brain injuries often receive care in nursing homes, chronic hospitals, and State psychiatric institutions due to a lack of funding for community-based services. Individuals enrolled in the Medicaid program for treatment from traumatic brain injury receive residential and day habilitation and supported employment services at a cost of about \$120,000 per enrollee per year. There are insufficient data at this time to estimate the number of traumatic head injuries that could be avoided and the resulting potential savings to the Medicaid program.

If additional Maryland motor scooter and moped riders comply with this bill by wearing the specified helmets and there are fewer head injuries as a result, general fund expenditures for the Developmental Disabilities Administration could be reduced because fewer individuals injured before age 21 would need ongoing funding and services. There are insufficient data at this time to reliably estimate the number of injuries that could be avoided and the resulting potential savings.

Local Revenues: Under the illustrative example and assumptions discussed above, local revenues may increase by about \$108,014 in fiscal 2012 due to an increase in registration and titling tax revenues distributed through the Gasoline and Motor Vehicle Revenue Account as highway user revenues.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Institute for Emergency Medical Services Systems, Department of Health and Mental Hygiene, Department of State Police, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2011
mc/ljm Revised - Senate Third Reader/Clarification - April 6, 2011

Analysis by: Evan M. Isaacson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510